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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000728

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SUBJECT: KMT VICE CHAIRMAN CHAN ON MA YING-JEOU, PARTY  
CHAIR RACE, LEGISLATIVE ELECTIONS, AND DEFENSE ISSUE

Classified By: AIT Acting Director Robert S. Wang,  
Reason 1.4 (b/d)

11. (C) Summary: KMT Vice Chairman Chan Chuen-po told the Acting Director on March 27 that he expected KMT Vice Chairman Wu Po-hsiung to handily defeat legislator Hung Hsiu-chu in the KMT Chairman election on April 7. Wu's top priority will be the difficult task of trying to bring former KMT Chairman Ma Ying-jeou and rival Legislative Yuan (LY) Speaker Wang Jin-pyng together on the KMT presidential ticket to enhance KMT prospects in the 2008 presidential election. While the KMT is expecting a close presidential election, the party has hopes of winning an outright majority of seats in the December 2007 legislative elections. ADIR emphasized the need to keep electoral politics from undermining Taiwan's national defense, noting U.S. disappointment over lack of progress in the LY on the defense budget. While the KMT cannot afford to block the budget and defense procurement indefinitely, Chan argued, the party has to play a delicate "balancing act" with the People First Party (PFP), whose support will remain critical to maintaining the pan-Blue majority in the LY until year-end legislative elections. End Summary.

#### KMT Chairman Race

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12. (C) The Acting Director met with KMT Vice Chairman Chan Chuen-po on March 27 to discuss Kuomintang (KMT) perspectives on the political situation. Chan, currently on leave from his party position while managing former Chairman Ma Ying-jeou's presidential campaign, predicted that KMT Vice Chairman Wu Po-hsiung will handily defeat legislator Hung Hsiu-chu in the KMT Chairman bi-election scheduled for April 17. Chan noted that the KMT had to relax its registration rules after Hung failed to secure the 30,000 party member signatures required to run in the party chair election. By contrast, respected party veteran Wu Po-hsiung, who only entered the race after confirming that former KMT Chairman Lien Chan would not run, had no difficulty obtaining the requisite signatures. Wu's top priority as party chairman will be ensuring KMT victory in the 2008 presidential election, Chan noted, adding that the main focus of Wu's work over the coming months will be to try to bring LY Speaker

Wang Jin-pyng on to the Ma ticket as the KMT's vice presidential candidate.

#### Primary Politics and the Ma-Wang Rivalry

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13. (C) Ma, who remains the best hope for the party in 2008, will begin taking the steps necessary to register for the KMT presidential primary next week, Chan said. The KMT is worried that the presidential race will be close and very competitive, giving the ruling Democratic Progressive Party (DPP) an opportunity to pull off a last-minute surprise or to push controversial issues, such as Taiwan identity and ethnic politics, in its efforts to control the issue agenda and campaign tempo. Fielding a combined Ma-Wang ticket would be the best way for the KMT to counter the DPP strategy and win the 2008 election, Chan emphasized.

14. (C) However, overcoming friction between Ma and Wang will not be easy, Chan continued, because both KMT heavyweights are reluctant to give ground. Nonetheless, Ma and Wang have taken a significant step forward by each agreeing to offer the other the right of first refusal to be vice presidential running mate if they win the presidential nomination. While this by no means ensures a joint Ma-Wang ticket, it helps ease tension and opens the way for possible future cooperation. Chan said he urged Ma to endorse this proposition because it showed more sincerity and "warmth" than Ma's previous statement that he would "not rule out" Wang as a running mate. Also, the new agreement puts the ball in Wang's court. If Wang were to ultimately reject Ma's offer and run on a separate ticket, Wang, not Ma, would be blamed for breaking party unity and not showing good faith.

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15. (C) Chan said he remained uncertain whether Wang intended to compete in the KMT presidential primary, despite recent discussions between the two camps. Wang has consistently pushed for former KMT Chairman Lien Chan to mediate to determine the party's presidential ticket in order to avoid an open primary competition, which he knows he would lose, according to Chan. Ma, on the other hand, insists on using the primary process to determine the presidential candidate since neither he nor Wang have agreed to accept the vice presidential slot. Chan confirmed that Lien had tried to break the impasse by proposing that Wang serve as party chairman while Ma ran as the presidential candidate. Chan said both he and Vice Chairman Wu Po-hsiung had advised Ma against accepting this proposal, arguing that it would not be a "good idea" to put the party machinery in the hands of his erstwhile rival, as Wang could undermine the presidential campaign from within.

16. (C) The roots of the Ma-Wang rivalry extend beyond their bitter fight for the KMT chairmanship in 2005, Chan suggested. Ma and Wang have very different personalities and political backgrounds that inform their current positions. Ma, more aloof in his personal relationships, was identified early on by the KMT as a "superstar" and has been groomed for higher positions throughout his career. Wang, on the other hand, is more adept at building personal relations because he is a product of local Kaohsiung factional politics and has had to struggle to get to where he is now. Wang's warmer person-to-person touch, however, does not translate into strong popular appeal. Rather, Ma continues to enjoy very broad public support for his clean-cut "movie star" image, especially among young voters and women. Many people sympathize with Ma as a victim, viewing his recent indictment for corruption as a politically-motivated attack by the DPP government. Chan observed that this sentiment came across clearly during Ma's recent trips outside Taipei, where he has received a warmer reception than in the past. Chan suggested that the "underdog" and "victim" sympathy effect, long used by the DPP, could play to Ma's advantage during the presidential race.

## Optimistic on KMT Legislative Prospects

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17. (C) Despite KMT concerns about the uncertainty of the presidential race, Chan told the Acting Director that his party is "fairly confident" it will win an outright majority of seats in the upcoming legislative elections. The KMT expects to make a strong showing in northern and eastern Taiwan, island counties, and the aborigine constituencies. The south will be an uphill battle for the KMT, however, making central Taiwan the "key battleground," which will be especially important for the presidential race as well as the LY elections. Noting that the central Taiwan county governments of Taichung, Nantou, and Changhua are now in KMT hands, Chan surmised this would help the KMT in both the legislative and presidential elections, in contrast to the situation in 2004 when those areas were in DPP hands.

18. (C) Chan doubted that many KMT legislators who lose in the primaries will split the KMT vote by running as independents, explaining that party affiliation will play a crucial role in the new single-member legislative districts, making it difficult for independents to win. Chan speculated that the DPP government is still considering whether it will support combining the December 2007 legislative and March 2008 presidential elections into one election in January 2008. While the DPP initially backed such a proposal for the sake of saving public resources, Chan assessed that the electoral loss during the combined 2005 local elections has raised doubts within the DPP about this strategy. Chan predicted that a joint LY-presidential election would favor the KMT because its strong grassroots organizations would be able to combine voter mobilization efforts for the two elections.

## KMT stronger than PFP in Keelung Mayoral Race

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19. (C) Chan argued that the poor image of the People First Party (PFP) after James Soong's embarrassing defeat in the 2006 Taipei mayoral race will hurt the PFP in the legislative elections. It will also weaken the PFP candidate for the Keelung mayoral bi-election on May 12. According to Chan, PFP candidate Liu Wen-hsiung has further compromised his chances by antagonizing most local political factions in Keelung. Keelung Council Speaker (KMT) Chang Tong-rong, the KMT candidate, on the other hand, has gained the backing of former Mayor Hsu Tsai-li's supporters because Chang stuck with Hsu despite Hsu's corruption indictment and Ma's support for Hsu's recall. Chang has also been able to pull support from other local factions who see his potential speakership vacancy as an opportunity to advance their own interests. Thus, Chan said, he expected the KMT to win in Keelung despite the pan-Blue split.

## Defense Budget and LY Politics

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10. (C) ADIR emphasized U.S. disappointment over the failure of the LY to pass the 2007 annual budget, including the defense budget for arms procurement, noting the difficulties created as partisan electoral politics begins to heat up and spill over into the LY. Chan said he believes the KMT cannot afford to block the budget and defense procurement indefinitely, citing strong popular support for improving Taiwan's defense capabilities. Nevertheless, LY politics are "complicated," Chan argued, because the KMT does not enjoy an outright majority and has to play a delicate "balancing act" with the PFP, whose support is critical if the KMT-led pan-Blue coalition is to maintain its LY majority until the legislative elections in December. At that time the KMT anticipates the PFP will be marginalized and no longer a necessary political partner. In the meantime, the

KMT needs to heed strong PFP opposition to DPP efforts to restore previous defense cuts in exchange for PFP support for passing the KMT's Central Election Commission bill.

Comment

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¶11. (C) The continuing friction between Ma and Wang is par for the course in a KMT used to internal divisions. However, a divided KMT cannot hope to beat the DPP in the 2008 presidential election. Therefore, the challenge facing Wu Po-hsiung, Chan Chuen-po and other KMT leaders is to patch up differences with Wang and other disgruntled KMT political figures in hopes of unifying the party behind presidential candidate Ma. Ma's current vulnerable position -- his corruption trial begins April 3 -- will complicate their efforts to rally party support behind Ma.

WANG